



**PEMISCOT COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-106
September 30, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2003

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Pemiscot, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Pemiscot County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county's General Revenue Fund and Law Enforcement Sales Tax Fund are in weak financial condition. The General Revenue Fund cash balance decreased from \$204,159 at January 1, 2001 to \$6,522 at December 31, 2002, while the Law Enforcement Sales Tax Fund cash balance decreased from \$495,139 at January 1, 2001 to \$42,999 at December 31, 2002. As of September 22, 2003, the General Revenue Fund had a negative cash balance of \$11,334 and the Law Enforcement Sales Tax Fund had a zero cash balance.

A significant factor in the decline of the financial condition has been the operation of the Pemiscot County Criminal Justice Center and Jail, which opened during 2002. Personnel and other operating costs of the Sheriff's department and jail have increased from approximately \$670,000 for the year ended December 31, 2000 to over \$1,300,000 for the year ended December 31, 2002. The law enforcement sales tax of approximately \$325,000 is not sufficient to cover the increase costs of the Sheriff's department and jail.

The County Commission needs to closely monitor revenues and expenditures and take steps to increase the cash balances of the General Revenue Fund and the Law Enforcement Sales Tax Fund.

- Actual disbursements exceeded the budgeted amounts in various funds. Budgeted amounts for the General Revenue Fund, Capital Improvement Sales Tax Fund, and Law Enforcement Sales Tax Fund were exceeded by \$91,472, \$180,682, and \$246,821, respectively, for the year ended December 31, 2002.

(over)

YELLOW SHEET

- A state law, Section 50.333.13, RSMo, enacted in 1997 allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four years. Based on this law and the Prosecuting Attorney's legal opinion, in 1999 Pemiscot County's Associate County Commissioners' salaries were each increased approximately \$7,400 yearly, according to salary commission minutes.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,800 for the two years ended December 31, 2000, should be repaid.

- The County Treasurer's salary was increased \$10,400 annually, effective with the start of a new term of office on January 1, 2003, based on approval given by the salary commission at a meeting held in September 2002. There was no legal documentation supporting whether that meeting complied with Section 50.333, RSMo 2000.
- Formal budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001. In addition, the county's annual published financial statements did not include the financial activity of some funds as required.
- The county has not established adequate procedures to monitor collateral securities and commercial insurance provided through surety bonds pledged by its depository bank resulting in funds being undercollateralized by approximately \$1,700,000 and \$1,300,000 for a few days during January 2003 and January 2002, respectively.
- Some expenditure concerns included the county not entering into formal written agreements with their contract laborers, not obtaining a professional appraisal prior to a \$5,040 purchase of land, paying employees a per diem of \$30 a day to cover miscellaneous travel expenses, and obtaining a bank loan without determining its legality.

Other areas where concerns were noted included employee timesheets and leave records, general fixed asset records, and computer controls. In addition, recommendations were made to improve the accounting controls and procedures of the Probate Division, Prosecuting Attorney, Public Administrator, Sheriff, Health Center, and Senate Bill 40 Board.

All reports are available on our website: www.auditor.state.mo.us

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Pemiscot County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 19, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Pemiscot County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.



Claire McCaskill
State Auditor

June 19, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Randall Gordon, CPA
In-Charge Auditor:	Daniel Vandersteen, CPA
Audit Staff:	Julie Tomlinson
	John Long



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Pemiscot County, Missouri

We have audited the financial statements of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Pemiscot County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Pemiscot County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 02-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Pemiscot County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 19, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 50,436	2,938,604	2,982,518	6,522
Special Road and Bridge	150,172	1,076,593	1,124,617	102,148
Assessment	172	200,361	198,451	2,082
Johnson Grass	45,752	74,779	85,769	34,762
Drainage Districts	322,565	137,044	99,646	359,963
Emergency 911	381	170,329	166,088	4,622
Law Enforcement Training	21,308	13,071	22,172	12,207
Firing Range	508	2,418	2,912	14
Prosecuting Attorney Training	(881)	1,893	663	349
Solid Waste Transfer Station	109,418	839,204	787,215	161,407
Federal Forfeiture	3,900	29,050	9,994	22,956
Criminal Investigation	9,624	41	29,542	(19,877)
Bootheel Drug Task Force	70,291	146,279	168,184	48,386
Drug Abuse Resistance Education	7,338	6,818	5,861	8,295
Domestic Violence	15,277	1,295	0	16,572
Capital Improvement Sales Tax	589,582	626,666	980,682	235,566
Law Enforcement Sales Tax	463,992	325,828	746,821	42,999
Police Apprehension of Student Traffickers	6,319	238	0	6,557
Juvenile Grant Program	15,043	100,145	112,979	2,209
Recorder's User Fees	13,506	13,331	3,345	23,492
Prosecuting Attorney Bad Check	1,130	15,137	15,042	1,225
Senate Bill 40 Board	64,410	149,281	134,344	79,347
Health Center	793,243	702,404	627,272	868,375
Election Service	1,425	2,234	944	2,715
Landfill	(328)	0	1,042	(1,370)
Sheriff Patrol	250	0	0	250
Law Library	298	8,058	8,028	328
Associate Division Interest	21,595	1,754	3,100	20,249
Circuit Division Interest	15,175	2,304	10,069	7,410
Tax Maintenance	0	1,435	0	1,435
Total	\$ 2,791,901	7,586,594	8,327,300	2,051,195

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PEMISCOT COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 204,159	2,084,654	2,238,377	50,436
Special Road and Bridge	112,176	1,107,150	1,069,154	150,172
Assessment	(9,749)	192,658	182,737	172
Johnson Grass	50,726	75,586	80,560	45,752
Drainage Districts	349,045	182,478	208,958	322,565
Emergency 911	(15,742)	224,892	208,769	381
Law Enforcement Training	18,848	16,201	13,741	21,308
Firing Range	3,550	10,951	13,993	508
Prosecuting Attorney Training	(1,999)	2,557	1,439	(881)
Solid Waste Transfer Station	325,580	815,968	1,032,130	109,418
Federal Forfeiture	3,396	10,906	10,402	3,900
Criminal Investigation	46,043	3,141	39,560	9,624
Boothel Drug Task Force	53,684	170,503	153,896	70,291
Drug Abuse Resistance Education	4,845	6,326	3,833	7,338
Domestic Violence	13,879	1,398	0	15,277
Capital Improvement Sales Tax	623,784	615,913	650,115	589,582
Law Enforcement Sales Tax	495,139	336,520	367,667	463,992
Police Apprehension of Student Traffickers	6,055	264	0	6,319
Juvenile Grant Program	19,083	112,363	116,403	15,043
Recorder's User Fees	4,338	9,413	245	13,506
Prosecuting Attorney Bad Check	5,136	14,177	18,183	1,130
Senate Bill 40 Board	37,229	150,226	123,045	64,410
Health Center	737,951	697,602	642,310	793,243
Election Service	0	1,425	0	1,425
Landfill	(328)	0	0	(328)
Sheriff Patrol	250	0	0	250
CDBG Port Authority Road	0	226,590	226,590	0
CDBG PWSD No. 1	0	235,600	235,600	0
Law Library	236	7,307	7,245	298
Associate Division Interest	20,747	848	0	21,595
Circuit Division Interest	17,972	2,203	5,000	15,175
Total	\$ 3,126,033	7,315,820	7,649,952	2,791,901

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

Year Ended December 31,						
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 7,708,150	7,573,043	(135,107)	6,837,993	6,841,847	3,854
DISBURSEMENTS	8,723,664	8,305,061	418,603	7,646,290	7,175,517	470,773
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,015,514)	(732,018)	283,496	(808,297)	(333,670)	474,627
CASH, JANUARY 1	2,757,585	2,754,911	(2,674)	3,087,032	3,087,078	46
CASH, DECEMBER 31	1,742,071	2,022,893	280,822	2,278,735	2,753,408	474,673
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	280,000	282,868	2,868	300,000	270,102	(29,898)
Sales taxes	600,000	613,644	13,644	565,000	592,540	27,540
Intergovernmental	687,000	657,904	(29,096)	347,550	429,487	81,937
Charges for services	456,200	377,304	(78,896)	604,400	460,628	(143,772)
Interest	18,731	15,341	(3,390)	24,000	18,627	(5,373)
Other	144,460	160,015	15,555	152,200	163,270	11,070
Transfers in	656,028	831,528	175,500	150,000	150,000	0
Total Receipts	2,842,419	2,938,604	96,185	2,143,150	2,084,654	(58,496)
DISBURSEMENTS						
County Commissioner	85,900	106,943	(21,043)	86,200	85,635	565
County Clerk	64,924	65,471	(547)	67,300	68,483	(1,183)
Elections	110,050	110,513	(463)	63,050	63,653	(603)
Buildings and ground:	177,500	148,370	29,130	97,500	106,239	(8,739)
Employee fringe benefit:	306,500	385,194	(78,694)	283,000	301,351	(18,351)
County Treasurer	33,000	31,660	1,340	31,575	31,130	445
County Collector	85,800	91,867	(6,067)	87,200	85,799	1,401
Recorder of Deeds	86,020	90,902	(4,882)	80,864	80,418	446
Circuit Clerk	9,500	12,450	(2,950)	13,700	7,912	5,788
Associate Circuit Court	10,000	8,855	1,145	15,000	8,971	6,029
Associate Circuit (Probate)	5,000	2,256	2,744	6,000	4,176	1,824
Court administrator	4,700	3,270	1,430	5,100	6,842	(1,742)
Public Administrator	27,000	26,608	392	27,250	34,438	(7,188)
Sheriff	787,156	849,243	(62,087)	616,613	591,077	25,536
Jail	578,620	454,405	124,215	227,800	222,311	5,489
Prosecuting Attorney	237,488	239,540	(2,052)	232,188	232,387	(199)
Juvenile Officer	38,850	69,343	(30,493)	36,900	48,267	(11,367)
County Coroner	20,900	17,921	2,979	23,300	19,648	3,652
Court Reporter	1,450	951	499	600	1,797	(1,197)
Data processing	51,000	56,662	(5,662)	85,500	74,681	10,819
Public Defender	8,500	9,676	(1,176)	0	0	0
Public health and welfare service:	3,000	2,700	300	2,500	2,400	100
Other	108,528	153,718	(45,190)	113,286	121,262	(7,976)
Transfers out	19,660	44,000	(24,340)	4,000	39,500	(35,500)
Emergency Fund	30,000	0	30,000	30,000	0	30,000
Total Disbursements	2,891,046	2,982,518	(91,472)	2,236,426	2,238,377	(1,951)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(48,627)	(43,914)	4,713	(93,276)	(153,723)	(60,447)
CASH, JANUARY 1	50,436	50,436	0	204,159	204,159	0
CASH, DECEMBER 31	1,809	6,522	4,713	110,883	50,436	(60,447)

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

Year Ended December 31,						
2002			2001			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	400,000	410,026	10,026	400,000	408,427	8,427
Intergovernmental	977,000	639,431	(337,569)	720,700	669,584	(51,116)
Interest	8,500	6,808	(1,692)	12,500	9,620	(2,880)
Other	12,500	20,328	7,828	13,500	19,519	6,019
Total Receipts	1,398,000	1,076,593	(321,407)	1,146,700	1,107,150	(39,550)
DISBURSEMENTS						
Salaries	300,000	290,462	9,538	300,000	263,406	36,594
Employee fringe benefit:	92,400	93,605	(1,205)	84,000	92,250	(8,250)
Supplies	268,000	257,552	10,448	291,500	273,651	17,849
Insurance	30,000	36,686	(6,686)	25,000	28,802	(3,802)
Road and bridge materials	488,500	219,139	269,361	259,500	153,429	106,071
Equipment repairs	13,000	18,706	(5,706)	0	13,365	(13,365)
Rentals	0	0	0	5,000	0	5,000
Equipment purchase:	210,000	171,777	38,223	209,000	205,237	3,763
Other	78,610	6,690	71,920	45,300	39,014	6,286
Transfers out	30,000	30,000	0	0	0	0
Total Disbursement:	1,510,510	1,124,617	385,893	1,219,300	1,069,154	150,146
RECEIPTS OVER (UNDER) DISBURSEMENTS	(112,510)	(48,024)	64,486	(72,600)	37,996	110,596
CASH, JANUARY 1	150,172	150,172	0	112,176	112,176	0
CASH, DECEMBER 31	37,662	102,148	64,486	39,576	150,172	110,596
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	171,660	155,694	(15,966)	184,457	152,473	(31,984)
Interest	1,000	342	(658)	2,000	469	(1,531)
Other	1,000	325	(675)	0	216	216
Transfers in	19,660	44,000	24,340	14,052	39,500	25,448
Total Receipts	193,320	200,361	7,041	200,509	192,658	(7,851)
DISBURSEMENTS						
Assessor	193,320	198,451	(5,131)	190,760	182,737	8,023
Total Disbursement:	193,320	198,451	(5,131)	190,760	182,737	8,023
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,910	1,910	9,749	9,921	172
CASH, JANUARY 1	172	172	0	(9,749)	(9,749)	0
CASH, DECEMBER 31	172	2,082	1,910	0	172	172
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Property taxes	70,000	72,561	2,561	70,000	72,690	2,690
Interest	2,000	1,956	(44)	4,000	2,526	(1,474)
Other	0	262	262	0	370	370
Total Receipts	72,000	74,779	2,779	74,000	75,586	1,586
DISBURSEMENTS						
Salaries	48,300	47,096	1,204	58,000	46,050	11,950
Equipment	20,000	17,780	2,220	20,000	17,005	2,995
Chemicals	15,000	4,788	10,212	15,000	15,424	(424)
Fuels and lubricants	5,000	14,116	(9,116)	5,000	0	5,000
Other	2,000	1,989	11	2,000	2,081	(81)
Total Disbursement:	90,300	85,769	4,531	100,000	80,560	19,440
RECEIPTS OVER (UNDER) DISBURSEMENTS	(18,300)	(10,990)	7,310	(26,000)	(4,974)	21,026
CASH, JANUARY 1	45,752	45,752	0	50,726	50,726	0
CASH, DECEMBER 31	27,452	34,762	7,310	24,726	45,752	21,026

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DRAINAGE DISTRICTS FUND</u>						
RECEIPTS						
Property taxes	114,250	112,527	(1,723)	150,590	164,498	13,908
Interest	11,740	24,288	12,548	19,300	14,923	(4,377)
Other	0	229	229	0	3,057	3,057
Total Receipts	125,990	137,044	11,054	169,890	182,478	12,588
DISBURSEMENTS						
Salaries	116,705	84,350	32,355	117,400	84,178	33,222
Equipment repairs	30,500	13,703	16,797	28,000	21,839	6,161
Engineering and contract service:	242,968	1,593	241,375	330,000	102,941	227,059
Other	15,700	0	15,700	9,800	0	9,800
Total Disbursements:	405,873	99,646	306,227	485,200	208,958	276,242
RECEIPTS OVER (UNDER) DISBURSEMENTS	(279,883)	37,398	317,281	(315,310)	(26,480)	288,830
CASH, JANUARY 1	322,565	322,565	0	349,045	349,045	0
CASH, DECEMBER 31	42,682	359,963	317,281	33,735	322,565	288,830
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for service:	165,000	169,047	4,047	155,000	162,892	7,892
Interest	0	1,282	1,282	0	0	0
Transfers in	0	0	0	50,000	62,000	12,000
Total Receipts	165,000	170,329	5,329	205,000	224,892	19,892
DISBURSEMENTS						
Salaries	0	33	(33)	143,400	158,387	(14,987)
Equipment	10,000	43,021	(33,021)	10,000	3,133	6,867
Office supplies	0	0	0	0	75	(75)
Other	33,000	38,034	(5,034)	34,500	47,174	(12,674)
Transfers out	120,000	85,000	35,000	0	0	0
Total Disbursements:	163,000	166,088	(3,088)	187,900	208,769	(20,869)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	4,241	2,241	17,100	16,123	(977)
CASH, JANUARY 1	381	381	0	(15,742)	(15,742)	0
CASH, DECEMBER 31	2,381	4,622	2,241	1,358	381	(977)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	5,600	4,749	(851)	5,000	5,644	644
Charges for services:	10,000	7,719	(2,281)	13,500	9,675	(3,825)
Interest	500	434	(66)	800	760	(40)
Other	0	169	169	0	122	122
Total Receipts	16,100	13,071	(3,029)	19,300	16,201	(3,099)
DISBURSEMENTS						
Sheriff	35,000	22,172	12,828	25,000	13,741	11,259
Total Disbursements:	35,000	22,172	12,828	25,000	13,741	11,259
RECEIPTS OVER (UNDER) DISBURSEMENTS	(18,900)	(9,101)	9,799	(5,700)	2,460	8,160
CASH, JANUARY 1	21,308	21,308	0	18,848	18,848	0
CASH, DECEMBER 31	2,408	12,207	9,799	13,148	21,308	8,160

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FIRING RANGE FUND</u>						
RECEIPTS						
Intergovernmental	2,500	0	(2,500)	2,500	4,291	1,791
Charges for service:	6,000	2,414	(3,586)	1,500	6,549	5,049
Interest	0	4	4	150	111	(39)
Total Receipts	8,500	2,418	(6,082)	4,150	10,951	6,801
DISBURSEMENTS						
Office expenditures	4,000	1,225	2,775	2,900	9,751	(6,851)
Other	5,000	1,687	3,313	3,500	4,242	(742)
Total Disbursement:	9,000	2,912	6,088	6,400	13,993	(7,593)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(494)	6	(2,250)	(3,042)	(792)
CASH, JANUARY 1	508	508	0	3,550	3,550	0
CASH, DECEMBER 31	8	14	6	1,300	508	(792)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	3,000	1,893	(1,107)	4,000	2,557	(1,443)
Total Receipts	3,000	1,893	(1,107)	4,000	2,557	(1,443)
DISBURSEMENTS						
Prosecuting Attorney	2,100	663	1,437	2,000	1,439	561
Total Disbursement:	2,100	663	1,437	2,000	1,439	561
RECEIPTS OVER (UNDER) DISBURSEMENTS	900	1,230	330	2,000	1,118	(882)
CASH, JANUARY 1	(881)	(881)	0	(1,999)	(1,999)	0
CASH, DECEMBER 31	19	349	330	1	(881)	(882)
<u>SOLID WASTE TRANSFER STATION FUND</u>						
RECEIPTS						
Intergovernmental	25,000	0	(25,000)	20,000	4,504	(15,496)
Charges for service:	780,000	833,863	53,863	745,000	761,451	16,451
Interest	7,000	5,316	(1,684)	15,500	8,697	(6,803)
Other	0	25	25	0	41,316	41,316
Total Receipts	812,000	839,204	27,204	780,500	815,968	35,468
DISBURSEMENTS						
Salaries	122,900	121,374	1,526	112,600	118,018	(5,418)
Contract services	550,000	535,430	14,570	560,000	532,185	27,815
Office expenditures	31,000	44,064	(13,064)	27,500	177,418	(149,918)
Equipment	82,000	18,147	63,853	270,000	135,670	134,330
Mileage and training	1,000	835	165	1,000	463	537
Bond payment and interest	48,000	46,605	1,395	48,000	47,803	197
Other	21,000	20,760	240	15,000	20,573	(5,573)
Total Disbursement:	855,900	787,215	68,685	1,034,100	1,032,130	1,970
RECEIPTS OVER (UNDER) DISBURSEMENTS	(43,900)	51,989	95,889	(253,600)	(216,162)	37,438
CASH, JANUARY 1	109,418	109,418	0	325,580	325,580	0
CASH, DECEMBER 31	65,518	161,407	95,889	71,980	109,418	37,438

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FEDERAL FORFEITURE FUND</u>						
RECEIPTS						
Intergovernmental	10,000	28,759	18,759	5,000	10,643	5,643
Interest	150	291	141	120	263	143
Total Receipts	10,150	29,050	18,900	5,120	10,906	5,786
DISBURSEMENTS						
Other	14,000	9,994	4,006	8,000	10,402	(2,402)
Total Disbursement:	14,000	9,994	4,006	8,000	10,402	(2,402)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,850)	19,056	22,906	(2,880)	504	3,384
CASH, JANUARY 1	3,900	3,900	0	3,396	3,396	0
CASH, DECEMBER 31	50	22,956	22,906	516	3,900	3,384
<u>CRIMINAL INVESTIGATION FUND</u>						
RECEIPTS						
Charges for services	15,000	0	(15,000)	20,000	1,912	(18,088)
Interest	0	41	41	3,000	1,229	(1,771)
Total Receipts	15,000	41	(14,959)	23,000	3,141	(19,859)
DISBURSEMENTS						
Equipment	0	0	0	15,000	3,960	11,040
Transfers out	24,000	29,542	(5,542)	40,000	35,600	4,400
Total Disbursement:	24,000	29,542	(5,542)	55,000	39,560	15,440
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,000)	(29,501)	(20,501)	(32,000)	(36,419)	(4,419)
CASH, JANUARY 1	9,624	9,624	0	46,043	46,043	0
CASH, DECEMBER 31	624	(19,877)	(20,501)	14,043	9,624	(4,419)
<u>BOOTHEEL DRUG TASK FORCE FUND</u>						
RECEIPTS						
Intergovernmental	120,000	102,240	(17,760)	115,243	120,538	5,295
Interest	1,500	1,866	366	0	2,377	2,377
Other	10,000	12,631	2,631	0	11,988	11,988
Transfers in	24,000	29,542	5,542	38,414	35,600	(2,814)
Total Receipts	155,500	146,279	(9,221)	153,657	170,503	16,846
DISBURSEMENTS						
Salaries	129,400	126,045	3,355	121,787	127,120	(5,333)
Office expenditures	1,000	1,521	(521)	1,440	827	613
Equipment	10,000	22,542	(12,542)	6,760	10,554	(3,794)
Mileage and training	20,000	7,378	12,622	18,070	8,046	10,024
Other	12,000	10,698	1,302	5,600	7,349	(1,749)
Total Disbursement:	172,400	168,184	4,216	153,657	153,896	(239)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,900)	(21,905)	(5,005)	0	16,607	16,607
CASH, JANUARY 1	70,291	70,291	0	53,684	53,684	0
CASH, DECEMBER 31	53,391	48,386	(5,005)	53,684	70,291	16,607
<u>DRUG ABUSE RESISTANCE EDUCATION FUND</u>						
RECEIPTS						
Interest	200	338	138	200	252	52
Other	6,000	6,480	480	6,000	6,074	74
Total Receipts	6,200	6,818	618	6,200	6,326	126
DISBURSEMENTS						
Office expenditures	10,000	5,861	4,139	7,500	3,833	3,667
Total Disbursement:	10,000	5,861	4,139	7,500	3,833	3,667
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,800)	957	4,757	(1,300)	2,493	3,793
CASH, JANUARY 1	7,338	7,338	0	4,845	4,845	0
CASH, DECEMBER 31	3,538	8,295	4,757	3,545	7,338	3,793

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	700	705	5	1,000	780	(220)
Interest	600	590	(10)	900	618	(282)
Total Receipts	1,300	1,295	(5)	1,900	1,398	(502)
DISBURSEMENTS						
Other	15,000	0	15,000	12,000	0	12,000
Total Disbursement:	15,000	0	15,000	12,000	0	12,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,700)	1,295	14,995	(10,100)	1,398	11,498
CASH, JANUARY 1	15,277	15,277	0	13,879	13,879	0
CASH, DECEMBER 31	1,577	16,572	14,995	3,779	15,277	11,498
<u>CAPITAL IMPROVEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	600,000	613,494	13,494	600,000	593,045	(6,955)
Interest	15,000	9,729	(5,271)	25,000	22,868	(2,132)
Other	0	3,443	3,443	0	0	0
Total Receipts	615,000	626,666	11,666	625,000	615,913	(9,087)
DISBURSEMENTS						
Contract services	108,296	207,900	(99,604)	20,544	33,332	(12,788)
Equipment	56,370	108,217	(51,847)	16,211	26,301	(10,090)
Furniture	41,358	79,397	(38,039)	0	0	0
Insurance	2,335	4,483	(2,148)	10,115	16,411	(6,296)
Other	1,641	3,150	(1,509)	3,130	5,079	(1,949)
Bond payment and interes	590,000	577,535	12,465	571,870	568,992	2,878
Total Disbursement:	800,000	980,682	(180,682)	621,870	650,115	(28,245)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(185,000)	(354,016)	(169,016)	3,130	(34,202)	(37,332)
CASH, JANUARY 1	589,582	589,582	0	623,784	623,784	0
CASH, DECEMBER 31	404,582	235,566	(169,016)	626,914	589,582	(37,332)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	300,000	306,796	6,796	300,000	296,526	(3,474)
Intergovernmental	0	8,767	8,767	0	0	0
Interest	15,000	10,265	(4,735)	25,000	21,550	(3,450)
Other	0	0	0	0	18,444	18,444
Total Receipts	315,000	325,828	10,828	325,000	336,520	11,520
DISBURSEMENTS						
Equipment	0	0	0	110,000	155,667	(45,667)
Office expenditures	0	25,125	(25,125)	0	0	0
Insurance	0	5,168	(5,168)	0	0	0
Transfers out	500,000	716,528	(216,528)	200,000	212,000	(12,000)
Total Disbursement:	500,000	746,821	(246,821)	310,000	367,667	(57,667)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(185,000)	(420,993)	(235,993)	15,000	(31,147)	(46,147)
CASH, JANUARY 1	463,992	463,992	0	495,139	495,139	0
CASH, DECEMBER 31	278,992	42,999	(235,993)	510,139	463,992	(46,147)

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>POLICE APPREHENSION OF STUDENT TRAFFICKERS FUND</u>						
RECEIPTS						
Interest	200	238	38	350	264	(86)
Total Receipts	200	238	38	350	264	(86)
DISBURSEMENTS						
Other	6,519	0	6,519	6,400	0	6,400
Total Disbursement:	6,519	0	6,519	6,400	0	6,400
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,319)	238	6,557	(6,050)	264	6,314
CASH, JANUARY 1	6,319	6,319	0	6,055	6,055	0
CASH, DECEMBER 31	0	6,557	6,557	5	6,319	6,314
<u>JUVENILE GRANT PROGRAM FUND</u>						
RECEIPTS						
Intergovernmental	112,000	99,701	(12,299)	126,578	111,714	(14,864)
Interest	600	444	(156)	0	649	649
Total Receipts	112,600	100,145	(12,455)	126,578	112,363	(14,215)
DISBURSEMENTS						
Salaries	109,323	101,599	7,724	109,323	98,323	11,000
Other	17,255	11,380	5,875	17,255	18,080	(825)
Total Disbursement:	126,578	112,979	13,599	126,578	116,403	10,175
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,978)	(12,834)	1,144	0	(4,040)	(4,040)
CASH, JANUARY 1	15,043	15,043	0	19,083	19,083	0
CASH, DECEMBER 31	1,065	2,209	1,144	19,083	15,043	(4,040)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services:	9,000	12,569	3,569	7,000	9,067	2,067
Interest	300	762	462	100	346	246
Total Receipts	9,300	13,331	4,031	7,100	9,413	2,313
DISBURSEMENTS						
Recorder of Deeds	20,000	3,345	16,655	4,338	245	4,093
Total Disbursement:	20,000	3,345	16,655	4,338	245	4,093
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,700)	9,986	20,686	2,762	9,168	6,406
CASH, JANUARY 1	13,506	13,506	0	4,338	4,338	0
CASH, DECEMBER 31	2,806	23,492	20,686	7,100	13,506	6,406
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services:	16,500	15,109	(1,391)	14,000	13,997	(3)
Interest	0	28	28	400	180	(220)
Total Receipts	16,500	15,137	(1,363)	14,400	14,177	(223)
DISBURSEMENTS						
Salaries	17,547	14,902	2,645	17,450	17,503	(53)
Other	0	140	(140)	0	680	(680)
Total Disbursement:	17,547	15,042	2,505	17,450	18,183	(733)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,047)	95	1,142	(3,050)	(4,006)	(956)
CASH, JANUARY 1	1,130	1,130	0	5,136	5,136	0
CASH, DECEMBER 31	83	1,225	1,142	2,086	1,130	(956)

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	150,000	145,037	(4,963)	140,000	146,036	6,036
Intergovernmental	0	525	525	0	0	0
Interest	4,000	3,719	(281)	6,000	4,190	(1,810)
Total Receipts	154,000	149,281	(4,719)	146,000	150,226	4,226
DISBURSEMENTS						
Pemiscot Progressive Industries Inc	200,000	134,344	65,656	180,000	123,045	56,955
Total Disbursement:	200,000	134,344	65,656	180,000	123,045	56,955
RECEIPTS OVER (UNDER) DISBURSEMENTS	(46,000)	14,937	60,937	(34,000)	27,181	61,181
CASH, JANUARY 1	64,410	64,410	0	37,229	37,229	0
CASH, DECEMBER 31	18,410	79,347	60,937	3,229	64,410	61,181
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	142,802	145,038	2,236	141,000	145,298	4,298
Intergovernmental	448,644	487,539	38,895	458,814	490,397	31,583
Charges for services	19,826	21,523	1,697	18,241	23,539	5,298
Interest	39,989	40,246	257	36,185	36,548	363
Other	7,310	8,058	748	1,921	1,820	(101)
Total Receipts	658,571	702,404	43,833	656,161	697,602	41,441
DISBURSEMENTS						
Salaries	486,389	469,338	17,051	476,002	476,036	(34)
Office expenditures	54,123	62,149	(8,026)	53,527	68,513	(14,986)
Equipment	8,500	7,406	1,094	4,320	3,022	1,298
Mileage and training	13,000	12,347	653	12,233	13,558	(1,325)
Infant mortality program	50,609	51,974	(1,365)	65,000	58,487	6,513
Other	45,950	24,058	21,892	45,079	22,694	22,385
Total Disbursement:	658,571	627,272	31,299	656,161	642,310	13,851
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	75,132	75,132	0	55,292	55,292
CASH, JANUARY 1	795,917	793,243	(2,674)	737,905	737,951	46
CASH, DECEMBER 31	\$ 795,917	868,375	72,458	737,905	793,243	55,338
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Intergovernmental	2,400	2,091	(309)			
Interest	100	143	43			
Total Receipts	2,500	2,234	(266)			
DISBURSEMENTS						
Equipment and supplies	1,000	0	1,000			
Training	2,000	944	1,056			
Total Disbursement:	3,000	944	2,056			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	1,290	1,790			
CASH, JANUARY 1	1,425	1,425	0			
CASH, DECEMBER 31	925	2,715	1,790			

Exhibit B

PEMISCOT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LANDFILL FUND</u>						
RECEIPTS						
Transfer in				328	0	(328)
Total Receipts				328	0	(328)
DISBURSEMENTS						
Other				0	0	0
Total Disbursements				0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				328	0	(328)
CASH, JANUARY 1				(328)	(328)	0
CASH, DECEMBER 31				0	(328)	(328)
<u>SHERIFF PATROL FUND</u>						
RECEIPTS						
Other				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Sheriff				250	0	250
Total Disbursements				250	0	250
RECEIPTS OVER (UNDER) DISBURSEMENTS				(250)	0	250
CASH, JANUARY 1				250	250	0
CASH, DECEMBER 31				0	250	250

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

PEMISCOT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2002 and 2001
Associate Division Interest Fund	2002 and 2001
Circuit Division Interest Fund	2002 and 2001
Landfill Fund	2002
Sheriff Patrol Fund	2002
Tax Maintenance Fund	2002

Election Service Fund	2001
CDBG Port Authority Road Fund	2001
CDBG PWSD No. 1 Fund	2001

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	2002 and 2001
Emergency 911 Fund	2002 and 2001
Capital Improvement Sales Tax Fund	2002 and 2001
Law Enforcement Sales Tax Fund	2002 and 2001
Assessment Fund	2002
Criminal Investigation Fund	2002
Firing Range Fund	2001
Federal Forfeiture Fund	2001
Bootheel Drug Task Force Fund	2001
Prosecuting Attorney Bad Check Fund	2001

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	2002 and 2001
Law Library Fund	2002 and 2001
Associate Division Interest Fund	2002 and 2001
Circuit Division Interest Fund	2002 and 2001
Tax Maintenance Fund	2002
CDBG Port Authority Road Fund	2001
CDBG PWSD No. 1 Fund	2001

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depositary insurance, or by collateral securities held by the county's or the board's custodial bank in the county's or the board's name, or by commercial insurance provided through a surety bond.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Prior Period Adjustment

The Drug Abuse Resistance Education Fund's cash balance at January 1, 2001, as previously stated has been increased by \$2,599 to agree to the cash balance of the County Treasurer.

The Recorder's User Fees Fund's cash balance at January 1, 2001, as previously stated has been increased by \$1,634 to agree to the cash balance of the County Treasurer.

The Landfill Fund's cash balance of (\$328) at January 1, 2001, was not previously reported, but has been added.

Supplementary Schedule

Schedule 1

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Social Services -				
10.550	Food Donation	N/A	\$ 4,664	1,971
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-3178W ERS045-2178W	120,062 0	0 105,971
	Program Total		<u>120,062</u>	<u>105,971</u>
10.559	Summer Food Service Program for Children	ERS146-2178I ERS146-1178I	1,080 0	0 1,980
	Program Total		<u>1,080</u>	<u>1,980</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development				
14.228	Community Development Block Grants/State Program	99-ED-09 98-PF-25	0 0	226,590 235,600
	Program Total		<u>0</u>	<u>462,190</u>
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grant	95CFWX5084	22,732	15,333
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	32,163	10,643
Passed through				
State Department of Public Safety -				
16.523	Juvenile Accountability Incentive Block Grant	99-JBVX-0029	19,407	0
16.579	Byrne Formula Grant Program	2001-NCD2-049 2000-NCD2-035 2000-NCD2-004	48,838 61,810 0	0 56,325 70,420
	Program Total		<u>110,648</u>	<u>126,745</u>
16.580	Missouri Sheriff's Meth-Amphetamine Relief Team Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	TF-2001-01	48,301	60,475
State Department of Public Safety -				
16.592	Local Law Enforcement Block Grants Program	2001-LBG-055	8,767	0

Schedule 1

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,005	1,035
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state			
	Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-078 (39)	31,783	0
		BRO-078 (38)	11,392	0
		BRO-078 (37)	11,392	0
		BRO-078 (36)	0	95,746
		BRO-078 (32)	0	1,600
	Program Total		54,567	97,346
	Department of Public Safety -			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	HMEP 2002	1,971	0
		HMEP 2001	0	2,236
	Program Total		1,971	2,236
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety			
83.534	Emergency Management - State and Local Assistance	1412DRMO	12,890	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state			
	Department of Health and Senior Services -			
93.268	Immunization Grants	PGA064-3178A	9,120	0
		N/A	54,480	46,234
	Program Total		63,600	46,234
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	33,288	25,510
93.569	Community Services Block Grant	A0C6000234	48,240	43,848
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	PGA067-31785	2,830	0
		PGA067-21785	0	3,155
	Program Total		2,830	3,155
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-3178M	36,786	0
		ERS146-1178M	0	32,328
		AOCO1380045	4,956	24,570
		ERS175-1307F	0	9,750
		N/A	411	3,892
	Program Total		42,153	70,540

Schedule 1

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
U. S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.003	State Commission:	01SCSMO024	0	3,000
94.007	Planning and Program Development Grant	99APSMO026	7,568	7,367
SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	DD02FED/DD03FED	92	0
		DD01FED	0	219
	Program Total		92	219
	Total Expenditures of Federal Awards	\$	636,028	1,085,798

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

PEMISCOT COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pemiscot County, Missouri, except for the program accounted for in the Pemiscot County Port Authority Fund. The federal award for that fund has been audited and separately reported on by other independent auditors for its year ended June 30, 2002.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Donation Program (CFDA number 10.550) represents the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

Amounts for Immunization Grants (CFDA number 93.268 and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2002 and 2001.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Pemiscot County, Missouri

Compliance

We have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Pemiscot County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001.

Internal Control Over Compliance

The management of Pemiscot County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management of Pemiscot County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 19, 2003 (fieldwork completion date)

Schedule

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? x yes no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? yes x no

Identification of major programs:

CFDA or
Other Identifying

<u>Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

02-1.	Overspending Budgets
--------------	-----------------------------

Actual disbursements exceeded the budgeted amounts in various funds as follows:

Fund		Year Ended December 31,	
		2002	2001
General Revenue	\$	91,472	1,951
Emergency 911		3,088	20,869
Capital Improvement Sales Tax		180,682	28,245
Law Enforcement Sales Tax		246,821	57,667
Assessment		5,131	N/A
Criminal Investigation		5,542	N/A
Bootheel Drug Task Force		N/A	239
Prosecuting Attorney Bad Check		N/A	733
Firing Range		N/A	7,593
Federal Forfeiture		N/A	2,402

The County Commission indicated the budget is monitored by reviewing budget to actual amounts monthly. However, this review was not sufficient to ensure actual disbursements did not exceed budget amounts.

It was ruled in *State ex rel. Strong v. Cribb*, 364 Mo. 1122, 273 SW2d 246 (1954), that county officials are required to comply strictly with the county budget laws. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

This condition was noted in our prior reports.

WE AGAIN RECOMMEND the County Commission refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree and will implement.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pemiscot County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 2000.

00-1 Segregation of Duties

Segregation of duties were not adequate.

Recommendation:

These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Status:

Implemented.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PEMISCOT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PEMISCOT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 19, 2003. We also have audited the compliance of Pemiscot County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 19, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Pemiscot County Port Authority Board and Pemiscot Memorial Systems (Hospital) Board are audited and separately reported on by other independent auditors, the related funds are not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Pemiscot County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.	Financial Condition
-----------	----------------------------

Pemiscot County's General Revenue and Law Enforcement Sales Tax funds are in weak financial condition. These funds provide funding for most general operations of the county, including the Sheriff's department and jail. The following chart shows receipts, disbursements, and cash balances for the two years ended December 31, 2002:

	General Revenue Fund	Law Enforcement Sales Tax Fund
Cash Balance, January 1, 2001	\$ 204,159	495,139
Receipts	1,934,654	336,520
Transfer in from Law Enforcement Sales Tax Fund	150,000	0
Disbursements	(2,238,377)	(217,667)
Transfers out to General Revenue Fund	0	(150,000)
Cash Balance, December 31, 2001	<u>50,436</u>	<u>463,992</u>
Receipts	2,222,076	325,828
Transfer in from Law Enforcement Sales Tax Fund	716,528	0
Disbursements	(2,982,518)	(30,293)
Transfers out to General Revenue Fund	0	(716,528)
Cash Balance, December 31, 2002	<u><u>\$ 6,522</u></u>	<u><u>42,999</u></u>

Although the Law Enforcement Sales Tax Fund has been established, disbursements related to law enforcement are still budgeted in the General Revenue Fund. Thus, a large portion of the disbursements made from the Law Enforcement Sales Tax Fund are transfers to the General Revenue Fund to cover the costs of the Sheriff's department and the jail.

The county budgets estimated improved cash balances as of December 31, 2003 for the General Revenue and Law Enforcement Sales Tax funds. This improved cash forecast is due in part to the county budgeting \$585,000 in revenues for the housing of federal prisoners and those from other counties and cities. However, as of September 22, 2003, the county has only received approximately \$190,000 in revenues for housing prisoners. While the county is currently housing more prisoners for other counties and cities, as of September 2003, the county has yet to sign a contract with the federal government. Therefore, the revenues

budgeted for the housing of federal prisoners estimated to be \$350,000 have yet to be realized. Due to the county not realizing the federal revenues, the General Revenue Fund has been experiencing cash flow problems during 2003. As of September 22, 2003, the General Revenue Fund had a negative cash balance of \$11,334 and the Law Enforcement Sales Tax Fund had a \$0 balance. The County Clerk indicated they are making decisions on expenditures that can be reduced in order to help improve the financial condition.

A significant factor in the decline of the financial condition of the General Revenue and Law Enforcement Sales Tax funds has been the operation of the Pemiscot County Criminal Justice Center and Jail, which opened during 2002. Personnel and other operating costs of the Sheriff's department and jail have increased significantly subsequent to completion of the justice center and jail project. Such costs have increased from approximately \$670,000 for the year ended December 31, 2000, and from approximately \$810,000 for the year ended December 31, 2001, to over \$1,300,000 for the year ended December 31, 2002. These increases reflect the county's hiring of thirteen additional jailers and higher jail costs due to a larger jail population. In addition, the additional employees are a reason fringe benefits increased approximately \$85,000 from 2001 to 2002. The law enforcement sales tax generates approximately \$325,000 a year and is not sufficient to cover the increased costs of law enforcement operations related to the Sheriff's department and jail.

Another significant factor contributing to the decline of the financial condition of the General Revenue Fund is due to a major taxpayer in the county has paid their taxes under protest for the last four years. Currently, these monies are being held by the County Collector pending the resolution of the court case regarding the protested taxes. The case is currently in circuit court where, if decided in the county's favor, the General Revenue Fund would receive its share of the taxes, which we estimate to be approximately \$60,000.

The County Commission should review discretionary disbursements to ensure available county resources are used efficiently and to determine if long term reductions in discretionary disbursements are possible. In addition, the County Commission should ensure it maximizes receipts from all sources.

WE RECOMMEND the County Commission consider various alternatives of increasing receipts and/or reducing disbursements to improve the financial condition of the General Revenue and Law Enforcement Sales Tax funds. In addition, the county should budget specific disbursements from the Law Enforcement Sales Tax Fund versus transferring the monies to the General Revenue Fund.

AUDITEE'S RESPONSE

We have been considering various alternatives of increasing revenues and reducing expenditures. Because of federal mandates, the cost of operating and staffing the jail have become increasingly difficult to finance. However, we have made cuts at the jail and elsewhere in the county's budgets to help the county's financial condition. In addition, the state has reduced the prisoner per diems and per parcel reimbursement for assessment which have increased the county's share of these costs.

Also, we will budget specific disbursements from the Law Enforcement Sales Tax Fund instead of transferring monies to the General Revenue Fund to offset disbursements.

2. Officials' Salaries

The county has not taken action on mid-term salary increases given to the Associate County Commissioners in 1999. Actions of the salary commission in approving a raise for the County Treasurer in September 2002 were not supported by a written legal opinion. The Prosecuting Attorney was apparently underpaid \$365 for the year ended December 31, 2000.

- A. Section 50.333.13 RSMo, enacted in 1997, allowed the salary commissions meeting in 1997 to provide mid-term increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years.

In a letter to the County Clerk, dated January 14, 1999, the Prosecuting Attorney indicated, "The Statute 50.333.13 does provide for a one time increase. There are those who would argue that that part of the Statute is unconstitutional, however, Statutes are presumed to be constitutional. Therefore, unless there is a legal challenge in Court to this Statute and that a court would rule that it is not constitutional, then we are to presume that it is constitutional." The letter also indicates, "Therefore, I believe that the Associate Commissioners do have a right to take the benefit of the increase in salaries the same as other elected officials are doing."

Based upon Section 50.333.13 and the Prosecuting Attorney's legal opinion, in 1999 Pemiscot County's Associate County Commissioners' salaries were each increased approximately \$7,400 yearly, according to the salary commission minutes.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglas et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment. As of June 19, 2003, the County Commission has not reviewed the impact of this decision and has not developed a plan for obtaining repayment of the salary overpayments.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling \$14,800 for the two years ended December 31, 2000, should be repaid.

- B. The County Treasurer's salary was increased \$10,400 annually, effective with the start of a new term of office on January 1, 2003. A salary commission meeting held in September 2002 approved this increase.

House Bill 2137, effective August 28, 2002, provided for an increase in the compensation paid to the county treasurer. It established an alternative, higher salary schedule and stated the salary commission may authorize the use of the alternative salary schedule. However, Section 50.333, RSMo 2000, appears to authorize salary commissions to meet only in odd-numbered years. There was no legal documentation supporting whether the meeting complied with Section 50.333, RSMo 2000.

As a result, without a documented legal opinion, it is unclear whether the salary increase provided to the County Treasurer is in accordance with state law.

- C. The Prosecuting Attorney was apparently underpaid \$365 for the year ended December 31, 2000. During that year, the Prosecuting Attorney was paid \$97,017; when, per Section 56.265.1 RSMo 2000, he was entitled to a salary equal to that of an Associate Circuit Judge, or \$97,382. The county could provide no documentation showing how the Prosecuting Attorney's salary was determined.

WE RECOMMEND the County Commission:

- A. Review the impact of the decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Consult with legal counsel and review the situation to ensure the actions taken were in accordance with state law.
- C. Review the apparent underpayment of \$365 to the Prosecuting Attorney.

AUDITEE'S RESPONSE

- A. *We will review the impact, but at this time we do not believe this will be paid back. We believe this was a valid expenditure because it was believed to be legal at the time and we obtained a legal opinion from our Prosecuting Attorney indicating the increase was legal.*
- B. *We will consult with the Prosecuting Attorney to ensure the action taken was legal.*
- C. *We will review this and take action deemed appropriate.*

3.**Budgetary Practices and Financial Statements**

The county's budgets and published financial statements for the years ended December 31, 2002 and 2001, excluded some funds.

- A. Formal budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001. The County Commission indicated they had overlooked these funds when preparing the budgets. Chapter 50, RSMo 2000, requires the preparation and filing of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission can evaluate all county financial resources more effectively.
- B. The county's annual published financial statements did not include the financial activity of some funds as required. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Ensure budgets for all county funds are obtained or prepared.
- B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

- A. *We plan to do this and will request the necessary information from other officials for funds under their control.*
- B. *We plan to report information for all county funds in the published financial statements.*

The county's lack of adequate procedures to monitor collateral securities has resulted in insufficient collateral securities and commercial insurance being pledged by the county's depository bank. Some departments did not submit time sheets and leave records to the County Clerk. The County Clerk does not maintain the general fixed asset records on an up to date basis or periodically reconcile equipment purchases with additions to the fixed asset records. Further, property tags are not placed upon all general fixed asset items. In addition, the County Clerk does not maintain an account book with the County Collector as required by state law.

- A. The county has not established adequate procedures to monitor collateral securities and commercial insurance provided through surety bonds pledged by its depository bank, and as a result, funds were undercollateralized at various times during the audit period. The amount of collateral securities and commercial insurance pledged by the county's depository bank to cover deposits of the County Treasurer and County Collector were insufficient by approximately \$1,700,000 and \$1,300,000 for a few days during January 2003 and January 2002, respectively. The high balance periods were primarily due to property tax monies collected by the County Collector for county funds and disbursed to the County Treasurer. While the County Treasurer indicated that she monitors the collateral securities for all bank accounts under her control and that the bank will contact her if the collateral securities pledged are not sufficient to cover the county's bank balances, there were still times where the bank accounts were undercollateralized. The bank balances eventually fell below the level of pledged collateral.

Section 110.020, RSMo 2000, requires that the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

- B. Not all departments are submitting time sheets and leave information to the County Clerk. Although time sheets and leave information are prepared by and maintained by employees of the Sheriff's and road and bridge departments, such time sheets and leave information are not submitted to the County Clerk. The County Clerk does maintain such records and information for other departments of the county. Time sheets and leave information should be submitted to the County Clerk's office by all employees to provide supporting documentation and additional assurance to the County Commission that payroll expenditures are valid and proper.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the applicable supervisor, and filed with the County Clerk.

C. A review of the general fixed asset records revealed the following concerns:

- The County Clerk does not maintain the general fixed asset records on an up to date basis. Additions and disposals of fixed assets are not recorded as they occur and an inventory of all county property has not occurred since 1999.
- The County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records. Fixed asset and land purchases of approximately \$355,000 had not been recorded on the property records at the time of our review. Performing this reconciliation would help ensure that all purchases have been properly added to the fixed asset records.
- Property tags are not placed upon all general fixed asset items. Property control tags should be affixed to all fixed asset items to help improve accountability over these items and help ensure that assets are not lost or stolen.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage of county property. Inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

D. The County Clerk does not maintain an account book with the County Collector. As a result, the County Collector's annual settlements cannot be adequately reviewed and errors could go undetected. An account book would summarize all taxes charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts. These amounts could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly collection reports, and totals of all charges and credits. These verifications are the County Clerk's means of ensuring the amount of taxes charged to the County Collector and reported credits are complete and accurate.

Section 51.150.2, RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A properly maintained account book would enable the County Clerk and the County Commission to verify the County Collector's annual settlements.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Establish monitoring procedures to ensure the depository bank pledges adequate collateral securities at all times.
- B. Require all departments to file time sheets and leave information with the County Clerk. The County Clerk should then maintain a balance of leave accumulated and taken for each employee.
- C. Require complete and accurate general fixed asset records be maintained and annual inventories of fixed assets be performed. In addition, the County Commission should require property tags be affixed on all county property.
- D. Require the County Clerk maintain an account book with the County Collector in accordance with statute.

AUDITEE'S RESPONSE

- A. *The County Commission and County Treasurer will try harder to ensure adequate collateral securities are pledged.*
- B. *The County Commission will request all departments to file timesheets and leave information with the County Clerk. The County Clerk will maintain leave balance records.*
- C. *We plan to come up with a fixed asset listing, obtain and affix property tags on all property, and conduct annual inventories of fixed assets.*
- D. *We will look into requiring the County Clerk to maintain an account book.*

5. County Expenditure Procedures and Practices

The county did not enter into formal written agreements with three of their contract laborers. The county did not obtain a professional appraisal prior to a \$5,040 purchase of land in May 2001 for the Pemiscot County Rescue Squad. Also, the county does not have a travel policy to ensure only actual and reasonable travel expenses are incurred. Finally, the County Commission obtained a loan in 2001 for \$160,189 to purchase three road graders without obtaining legal support for their action.

- A. The county did not enter into formal written agreements with three of their contract laborers. In addition, the county did not require the contract laborers to submit adequate documentation of work performed prior to payment. Such documentation consisted only of the number of daily hours worked or the number of days worked.

There existed no documentation of the actual work performed. The county paid its janitorial contract laborer at the rate of \$700 per month, its contract mapping laborer at the rate of \$130 per day, and its contract data processing laborer at the rate of \$40 per hour. During the year ended December 31, 2002, total payments to these contract laborers amounted to \$8,400, \$31,950, and \$45,240, respectively.

Written agreements provide the framework necessary to detail the services to be provided and the compensation to be paid. In addition, Section 432.070, RSMo 2000, prohibits a county from making a contract unless it is in writing. In addition to being required by statute, written contracts are necessary to document the duties, rights, and responsibilities of each party and should establish performance criteria which must be met prior to payment for work completed. Board minutes should document approval of all agreements. Further, the county should require adequate supporting documentation be provided by the contract laborers, including details regarding work performed. Finally, the county should consult with legal counsel regarding whether these individuals are appropriately classified as laborers or if they should be classified as county employees.

- B. The county did not obtain a professional appraisal prior to a \$5,040 purchase of land in May 2001 for the Pemiscot County Rescue Squad. In addition, the county has not obtained a written agreement with the Pemiscot County Rescue Squad stating the duties and responsibilities of both the county and the squad.

According to the Pemiscot County Assessor, the estimated market value of the land prior to the county's purchase was only \$1,570. The disparity between this amount and the actual amount paid demonstrates the benefit of an independent appraisal to help establish the market value for the land. Further, the county needs to determine the relationship between itself and the Pemiscot County Rescue Squad and establish an agreement stating the duties and responsibilities of each entity.

- C. County employees are paid per diems of \$30 per day to cover food and other incidental travel expenses. The county employees are not required to submit receipts or other documentation to support the spending of these per diem payments nor does the county include these payments on their W-2 forms.

The county should adopt a travel policy to ensure the county pays for only actual and reasonable travel expenses. If the County Commission continues to provide per diem payments, the county should require the submission of receipts or other documentation to support the actual expenses covered by the per diem payments or include per diem payments as income on applicable W-2 forms.

- D. The County Commission obtained a bank loan in 2001 for \$160,189 to purchase three road graders. The loan was payable over a five-year period and contained no cancellation clause or other language relating the debt to the annual appropriation process. As such, this loan may constitute long-term debt and the County

Commission has no legal authority to enter into such agreements. Further, there was no evidence the county obtained a legal opinion in support of their action.

The county should not enter into any indebtedness except as authorized by state law or constitutional provisions. Counties are authorized to borrow funds through bonds, tax anticipation notes, and protested warrants as provided by Chapters 50 and 108, RSMo 2000, or issue bonds as authorized in the Missouri Constitution.

WE RECOMMEND the County Commission:

- A. Ensure that contracts are obtained and entered into for services received. In addition, the County Commission should require adequate supporting documentation be submitted by the contract laborers and consult legal counsel regarding the appropriate employment status of the laborers.
- B. Obtain professional appraisals on land it considers purchasing. In addition, the County Commission should determine the relationship between itself and the Pemiscot County Rescue Squad and establish an agreement stating the duties and responsibilities of each entity.
- C. Adopt a travel policy to ensure only actual and necessary travel expenses are incurred. If the county continues to make per diem payments, the county should require receipts or other documentation to support the spending of per diems or include these payments as income on applicable W-2 forms.
- D. Ensure monies are borrowed in accordance with the provisions of state law.

AUDITEE'S RESPONSE

- A. *We will obtain a contract with our data processing laborer. We no longer have contract mapping and janitorial laborers. We will also attempt to obtain more detailed supporting documentation from our data processing laborer and consult with the Prosecuting Attorney regarding the employment status of the laborer.*
- B. *We will do this in the future. In addition, we will obtain an agreement with the rescue squad.*
- C. *We will review this and take action deemed appropriate.*
- D. *We plan to do this on future loans obtained and will consult with legal counsel as needed.*

6.**Computer Controls**

The county uses a mainframe computer with which to perform its general ledger accounting, budgetary accounting and reporting, cash disbursing, assessment, and tax collection functions. The county did not change passwords on a periodic basis to ensure confidentiality, nor store backup disks of county data at an off-site location.

- A. Passwords are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords are effectively limiting access to data files and programs to only those individuals who need access for their job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.
- B. Backup disks of county data are not stored at an off-site location. Backups of computer information provide a means of recreating destroyed data. Failure to store the computer backup disks off-site results in the backups being susceptible to the same damage as the original data on the computer. Backup disks should be maintained and stored off-site to provide increased assurance that county data can be recreated.

WE RECOMMEND the County Commission:

- A. Ensure passwords are periodically changed and remain confidential.
- B. Ensure backup disks are stored in a secure, off-site location.

AUDITEE'S RESPONSE

These recommendations will be implemented.

7.**Probate Division's Accounting Controls and Procedures**

Accounting and bookkeeping duties are not adequately segregated. The Division Clerk performs all of the duties of receiving, recording, depositing, and disbursing monies. The Probate Division processes receipts of over \$10,000 annually. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. If proper segregations of duties cannot be achieved, at a minimum, periodic supervisory or independent review of the records should be performed and documented.

WE RECOMMEND the Probate Division Judge segregate accounting and bookkeeping duties to the extent possible. At a minimum, there should be documented supervisory reviews of the accounting records.

AUDITEE'S RESPONSE

A supervisory review of the accounting records is now being performed and documented.

8. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney's office collects bad check monies and fees and restitution. The Prosecuting Attorney's office processes receipts of over \$70,000 annually. Our review noted that accounting duties are not adequately segregated, receipt slips are not issued for some monies received, no sequential summary record (cash control) of restitution receipts and disbursements is maintained, and bad check fees are not transmitted to the County Treasurer on a timely basis.

- A. Accounting duties are not adequately segregated. Either of the two clerks may perform all of the duties of receiving, recording, and disbursing monies. The Prosecuting Attorney indicated he does not perform periodic reviews of their records.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving, recording, and disbursing monies. If proper segregations of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- B. Receipt slips are not issued for some monies received. Receipt slips for restitution (non bad check payments) are only issued for payments made in person at the Prosecuting Attorney's office. In addition, no sequential summary record (cash control) of restitution receipts and disbursements is maintained. Money orders received for restitution payments are copied and filed in the applicable case file but a cash control is not maintained.

To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly. In addition, a cash control should be maintained for restitution transactions and periodically reconciled to the case files to ensure accuracy.

- C. Bad check fees are not transmitted to the County Treasurer on a timely basis. Fees are generally transmitted approximately weekly. In addition, money orders are not restrictively endorsed immediately upon receipt as endorsements are applied at the time of transmittal to the County Treasurer. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted daily

or when accumulated receipts exceed \$100 and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.
- B. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipt slips. In addition, establish a cash control record for restitution transactions and reconcile periodically to the case files.
- C. Transmit fees to the County Treasurer daily or when accumulated receipts exceed \$100. In addition, restrictively endorse money orders received immediately upon receipt.

AUDITEE'S RESPONSE

- A. *Due to cutbacks in our budget, we will not be able to implement at this time.*
- B. *Prenumbered receipt slips have been obtained and are being issued for all monies received and the numerical sequence of the receipt slips is being accounted for. Due to cutbacks in our budget, we will not be able to establish and maintain a cash control at this time.*
- C. *Due to cutbacks in our budget, we will only be able to transmit weekly. Currently, we are restrictively endorsing money orders as they are received.*

9. Public Administrator's Accounting Controls and Procedures

The Public Administrator acts as the court appointed personal representative for wards or decedent estates of the Probate Court. During the two years ended December 31, 2002, the Public Administrator handled approximately sixteen cases for which annual settlements were required. Our review noted that annual settlements filed by the Public Administrator were not always complete, one estate's account had \$235 in old outstanding checks that had not been adequately followed up on, and fees charged to the estates amounting to \$1,449 were incorrectly calculated.

- A. Annual settlements filed by the Public Administrator were not always complete. For example, one annual settlement did not include the value of a vehicle owned by the ward. Accurate reporting of all estate assets is necessary to provide assurance that all assets are accounted for properly.
- B. One estate's account had four checks totaling \$235, which have been outstanding since May 2001. These checks were written to the ward. The Public Administrator

had not adequately followed up on these checks to determine the proper disposition. The Public Administrator should determine whether these checks need to be reissued or credited back to the estate.

- C. Fees charged to the estates were incorrectly calculated by the Public Administrator. During 2002, we noted excessive fees charged totaling \$1,449 being paid to the General Revenue Fund.

The Public Administrator charges estates a fee of five percent based on the annual disbursements of the estate. The excessive fees occurred because the Public Administrator assessed fees twice on the same disbursements for some estates. In calculating fees to be charged for 2002, the Public Administrator erroneously included \$28,977 in 2001 disbursements for nine different estates when calculating the fees for 2002. Therefore, these disbursements were used in calculating fees for both 2001 and 2002. The \$1,449 remains due from the General Revenue Fund to these nine estates. This error was also made in other years and the Public Administrator should review these calculations and refund excessive fees back to the applicable estates.

The Public Administrator should take steps to ensure an accurate cut off of annual disbursements is made prior to calculating fees.

WE RECOMMEND the Public Administrator:

- A. File complete and accurate annual settlements.
- B. Determine the proper disposition of the old outstanding checks.
- C. Ensure fees are accurately calculated and review prior years calculations to refund excessive fees charges to the estates. In addition, the County Commission should authorize the payment of \$1,449 from the General Revenue Fund to the various estates for excessive fee charges for 2002.

AUDITEE'S RESPONSE

- A. *This will be done. The vehicle will be properly included on the next settlement for the ward.*
- B. *This has been done and the monies have been added back to the estate.*
- C. *Fees will be accurately calculated on future settlements and will review prior years calculations for excessive fees and take appropriate action. In addition, \$1,449 will be requested from the County Commission to repay excess fees back to the various estates.*

10.**Sheriff's Accounting Controls and Procedures**

The Sheriff's department processes civil, criminal, and bond receipts of over \$215,000 annually. Our review noted that civil receipts are not deposited on a timely basis, bank reconciliations are not performed for the commissary account, and the commissary account balance is not reconciled to the individual inmate account balances (open items listing).

- A. Civil receipts are not deposited on a timely basis. Deposits are made only once per week. During the month of October 2002 deposits averaged approximately \$650. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
- B. Bank reconciliations are not performed for the commissary (inmate) account. In addition, the account balance is not reconciled to the individual inmate account balances (open items listing). Individual inmate account balances are maintained on the computer system, but the clerk indicated she does not print out an open items listing, which would summarize the balance of all the accounts.

The preparation of monthly bank reconciliations is necessary to ensure that all monies are properly deposited, bank accounts are in agreement with the accounting records, and errors or discrepancies are detected on a timely basis. In addition, the preparation of an accurate open items listing and comparison to the reconciled cash balance ensures sufficient assets exist to cover liabilities and all monies are properly recorded and handled.

WE RECOMMEND the Sheriff:

- A. Deposit civil receipts daily or when accumulated receipts exceed \$100.
- B. Prepare bank reconciliations for the commissary (inmate) account and reconcile the cash balance to the open items listing on a monthly basis.

AUDITEE'S RESPONSE

- A. *We will do this.*
- B. *We will work with Keefe Commissary Network to reconcile the statements.*

11. Health Center's Accounting Controls and Procedures

Receipt slips are not issued unless requested by the payor, the bank reconciliation for December 31, 2002 included fifteen checks totaling \$2,650 that have been outstanding for over a year, and monthly bank reconciliations were not prepared for the petty cash bank account.

- A. Receipt slips are not issued unless requested by the payor. To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received immediately upon receipt. In addition, the receipt slips should indicate the method of payment (i.e. cash, checks, or money orders) and the composition should be reconciled to the bank deposits to ensure all receipts have been accounted for.
- B. The bank reconciliation for December 31, 2002 included fifteen checks totaling \$2,650 that have been outstanding for over a year. Although the Health Center indicated that the CPA firm reviews for old outstanding checks, it is the responsibility of the Health Center to follow up on and determine the proper disposition of these old outstanding checks. If the payees of old outstanding checks can be identified and located, these checks should be reissued. If the payees cannot be located, various statutory provisions including Section 447.500 through 447.595, RSMo 2000, provide for the disposition of unclaimed monies.
- C. Monthly bank reconciliations were not prepared for the petty cash bank account. This account, maintained at an imprest amount of \$500, is used to make smaller purchases throughout the month and is reimbursed for expenditures made monthly. Thus, the monthly bank reconciliation should be prepared considering both the checkbook balance and the amount of non-reimbursed invoices during the month to ensure the account totals \$500. Failure to prepare monthly bank reconciliations increases the risk that errors or misstatements will not be detected on a timely basis.

WE RECOMMEND the Health Center:

- A. Issue prenumbered receipt slips for all monies received, and record the method of payment on receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- B. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- C. Prepare bank reconciliations for all accounts on a monthly basis.

AUDITEE'S RESPONSE

- A. *Receipts have always been issued for birth and death certificates and upon request. Receipts are also documented on a daily journal and ledger cards each day. The method of payment is also described on the daily journal. Prenumbered receipt slips are now available and will be issued and will also indicate the method of payment and composition will be reconciled.*
- B. *We will review for any outstanding checks on a regular basis as standard operating procedures. The old outstanding checks are being reviewed and will be taken care of.*
- C. *The petty cash account was included in our regular account and was listed in the monthly financial report, and the petty cash account was reviewed by our CPA, and the ending balance was listed in the monthly financial report. However, our CPA will include a separate petty cash reconciliation on a monthly basis.*

12.

Senate Bill 40 Board

In accordance with Section 205.971, RSMo 2000, the board provides funding from the proceeds of a property tax levy for goods and services to individuals whom are developmentally disabled. These services include funding to a not-for-profit (NFP). We noted the board approved the purchase of a mobile home costing approximately \$25,000 and had no documentation to support how this purchase complies with statutory authority for operations of senate bill 40 facilities as provided in Chapter 205, RSMo. In addition, the board approved the purchase of a parcel of land in March 2001 costing \$22,500 without obtaining an independent appraisal of the property.

- A. In August 2002, the board approved the purchase of a mobile home costing approximately \$25,000 to be placed on a lot next to the NFP. The board did not obtain or require bids for this purchase as required by state law. In addition, from our review, it is unclear as to the benefits realized by the board and the county from this purchase. According to the request for funds from the NFP, the mobile home was to be used to house a caretaker. A caretaker occupied the mobile home for approximately nine months. Although, there are still plans to have a caretaker live in the mobile home, no one is currently occupying the mobile home. The board had no documentation to support how this purchase complies with statutory authority for operations of senate bill 40 facilities as provided in Chapter 205, RSMo.
- B. The board approved the purchase of a parcel of land in March 2001 costing \$22,500 without obtaining an independent appraisal of the property. Although the price paid for the land did not exceed the Assessor's appraised value, the board should still adopt a policy requiring independent appraisals as well as documentation of the selection process and/or price negotiations be maintained to ensure the reasonableness of prices paid for real estate.

WE RECOMMEND the Senate Bill 40 Board:

- A. Carefully consider the benefits to county residents for future expenditures of this type. In addition, the board should obtain or require bids for all major purchases.
- B. Ensure independent appraisals are obtained for purchases of real estate and document the selection process and/or price negotiations.

AUDITEE'S RESPONSE

- A. *The primary purpose for the purchase of the mobile home was for the benefit of county residents in hiring a caretaker to oversee the workshop facilities. Although bids were not obtained, we did conduct a year long search for a good deal on a mobile home. We will adopt a policy requiring bids for all major purchases.*
- B. *We will adopt a policy requiring appraisals be obtained for future real estate purchases and that the selection process and/or price negotiations be documented.*

Follow-Up on Prior Audit Findings

PEMISCOT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Pemiscot County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Statements

The annual published financial statements of the county did not include the financial activity of some county funds.

Recommendation:

The County Commission ensure financial information for all county funds is properly reported in the annual financial statements.

Status:

Not implemented. See MAR No. 3.

2. Collateral Securities

Collateral securities pledged by the county's depository banks at January 19, 1999, was insufficient by approximately \$1,900,000 to cover monies in the custody of the County Treasurer and County Collector.

Recommendation:

The County Commission implement procedures to ensure collateral securities pledged by the depository banks are sufficient to protect monies at all times.

Status:

Not implemented. See MAR No. 4.

3. County Expenditure Procedures and Practices

A. The County Commission sold property for \$38,000 without advertising the sale.

- B. The County Commission authorized payments totaling \$3,000 from the General Revenue Fund for the county employees' annual Christmas party.
- C. The Unclaimed Fees Fund contained \$2,851 of unclaimed bonds which should have been turned over to the state's Unclaimed Property Section.
- D. Time sheets were not prepared by all employees and leave records were not maintained for all employees.

Recommendation:

The County Commission:

- A. Advertise future land sales to ensure the best price is received.
- B. Ensure all county expenditures are reasonable and necessary and a prudent use of public funds.
- C. Require the County Treasurer to remit the \$2,851 to the state's Unclaimed Property Section.
- D. Require all county employees to complete time sheets which reflect actual time worked. The time sheets should be prepared by employees, approved by the applicable supervisor, and filed with the County Clerk. The County Clerk should then establish and maintain centralized leave records for all county employees.

Status:

- A. The county did not have any land sales during the audit period.
- B. Implemented. We did not note any unreasonable, unnecessary, or imprudent expenditures during our review.
- C. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- D. Not implemented. See MAR No. 4.

4. County Clerk's Accounting Controls and Procedures

- A. The County Clerk did not maintain an account book with the County Collector.
- B. General fixed assets records were incomplete. In addition, additions were not recorded as they occurred and physical inventories of fixed assets were not performed.

Recommendation:

The County Clerk:

- A. Establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.
- B. Maintain complete and accurate general fixed asset records and perform and document annual inventories of fixed assets.

Status:

Not implemented. See MAR No. 4.

5. County Collector's Accounting Controls and Procedures

- A. Duties were not adequately segregated.
- B. Monies received were not deposited intact as personal checks were cashed for county employees from the daily receipts.
- C. The tax receipts marked paid by the County Collector did not always indicate the method of payment and the composition of tax receipts and the cash/check logs were not reconciled to the composition of bank deposits.

Recommendation:

The County Collector:

- A. Segregate the record-keeping duties, or at a minimum perform and document a periodic review of the bank reconciliations and accounting records.
- B. Deposit all monies received intact daily and discontinue cashing checks for employees.
- C. Indicate the method of payment on all tax receipts or cash/check logs and reconcile the composition of receipts to the composition of bank deposits.

Status:

A&C. Implemented.

- B. Not implemented. Cashed checks are indicated on the checks listing log and the applicable cash amount is indicated and subtracted from the cash listing log to help

provide accountability. Although not repeated in the current report, our recommendation remains as stated above.

6. Recorder of Deed's Accounting Controls and Procedures

- A. Receipts were not deposited intact or on a timely basis.
- B. The fee books and other financial records did not contain sufficient documentation to agree individual recordings to related deposits.

Recommendation:

The Recorder of Deeds:

- A. Deposit all monies received intact daily or when cash on hand exceeds \$100 and discontinue cashing checks for employees.
- B. Record fees in the fee book in sufficient detail to agree individual recordings to the related deposits. This would include documenting the method of payment in the fee book and transferring sufficient details to the accounts receivable records for identification purposes. In addition, the composition of receipts noted in the fee book should be reconciled to the composition of bank deposits.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PEMISCOT COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1851, the county of Pemiscot was named after Pemiscot, its principal bayou. Pemiscot County is a county-organized, third-class county and is part of the 34th Judicial Circuit. The county seat is Caruthersville, Missouri

Pemiscot County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 620 miles of county roads and 58 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 24,987 in 1980 and 20,047 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 87.1	86.4	83.8	83.0	67.8	42.5
Personal property	32.2	36.3	35.1	35.0	6.8	8.1
Railroad and utilities	30.6	32.1	32.6	31.8	14.1	14.5
Total	\$ 149.9	154.8	151.5	149.8	88.7	65.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Pemiscot County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$.2014	.1900	.1800	.1900
Special Road and Bridge Fund	.2909	.2800	.2800	.2800
Health Center Fund	.1000	.1000	.1000	.1000
Senate Bill 40 Board Fund	.1000	.1000	.1000	.1000
Johnson Grass Fund	.0500	.0500	.0500	.0500
Memorial Hospital Fund	.3740	.3600	.3600	.3600

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
State of Missouri	\$ 43,926	43,576	43,971	42,025
General Revenue Fund	317,134	296,638	285,627	282,569
Special Road and Bridge Fund	421,033	403,962	407,474	387,965
Assessment Fund	61,848	67,805	69,220	68,827
Health Center Fund	144,879	143,724	145,022	138,078
Senate Bill 40 Board Fund	144,878	143,724	145,022	138,575
Johnson Grass Fund	72,481	71,906	72,552	69,335
Drainage Districts Fund	118,472	125,092	176,205	178,834
School districts	5,114,920	4,963,687	4,974,897	4,784,192
Hospital Maintenance Fund	536,116	514,116	518,469	493,494
Special drainage district	353,894	360,608	350,918	349,648
Tax Maintenance Fund	10,433	0	0	0
Cities	92,234	94,718	93,866	95,146
County Employees' Retirement	59,040	49,226	50,435	46,085
Commissions and fees:				
General Revenue Fund	106,375	112,163	114,571	112,998
Collector	7,219	7,390	7,176	7,214
Total	\$ 7,604,882	7,398,335	7,455,425	7,194,985

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	85.2	86.1	86.6	87.0 %
Personal property	76.3	72.0	74.4	66.9
Railroad and utilities	100.0	98.6	100.0	100.0

Pemiscot County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50	%
Capital improvements	.0050	2018	None	
Law enforcement	.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Charles Moss, Presiding Commissioner	\$	28,400	28,400	28,400	28,400
David Wilkerson Jr., Associate Commissioner		26,400	26,400		
Michael Clayton, Associate Commissioner				26,400	26,400
Mike Avis, Associate Commissioner		26,400	26,400	26,400	26,400
Pam Strawbridge, Recorder of Deeds		40,000	40,000	40,000	40,000
John M. Alford, County Clerk		40,000	40,000	40,000	40,000
Michael B. Hazel, Prosecuting Attorney		96,000	96,000	97,017	87,235
Thomas D. Greenwell, Sheriff		44,000	44,000	38,850	38,850
Pat Hoskins, County Treasurer (1)		30,520	31,874	31,202	30,919
James H. Brimhall, County Coroner		12,000	12,000	7,350	7,350
Richard L. Davis, Public Administrator (2)			25,997	12,354	13,666
Carol DeRousse Miller, Public Administrator (2)		25,000	6,661		
Keith Jean, County Collector (3), year ended February 28 (29),	47,219	47,390	47,176	47,214	
Donna Champion Snider, County Assessor (4), year ended August 31,		40,900	40,900	40,900	40,900

(1) Includes fees of \$920, \$2,274, \$1,602, and \$1,319, respectively, for county drainage distributions.

(2) Includes fees received from probate cases.

(3) Includes \$7,219, \$7,390, \$7,176, and \$7,214, respectively, in commissions from drainage district's taxes.

(4) Includes \$900 annual compensation received from the state.

State-Paid Officials:

Kelly Cagle Maners, Circuit Clerk	2,792	-	-	-
Andrew J. Crawford, Circuit Clerk	46,643	47,300	46,127	44,292
Byron D. Luber, Associate Circuit Judge	96,000	96,000	97,382	87,235
Sidney H. Chaffin, Associate Circuit Judge	96,000	96,000	97,382	87,235

In 1994, Pemiscot County contracted with Magna Trust Company to finance the building of a Solid Waste Transfer Station. Magna Trust Company issued \$360,000 in Certificates of Participation for the Solid Waste Transfer Station. Pemiscot County entered into a 10-year lease-purchase agreement with Magna Trust Company to pay for the building. At December 31, 2002, Pemiscot County owed \$85,000 in principal and \$4,725 in interest for a total of \$89,725.

In 1998, Pemiscot County contracted with Magna Trust Company to finance the building of a Criminal Justice Center and Jail. Magna Trust Company issued \$6,605,000 in Certificates of Participation for the Criminal Justice Center and Jail. Pemiscot County entered into a 20-year lease-purchase agreement with Magna Trust Company to pay for the building. At December 31, 2002, Pemiscot County owed \$5,800,000 in principal and \$2,632,890 in interest for a total of \$8,432,890.

In 2000, Pemiscot County contracted with Bank of New York Trust Company to finance additional construction costs for the building of the Criminal Justice Center and Jail. The Bank of New York Trust Company issued \$985,000 in Certificates of Participation for the Criminal Justice Center and Jail. Pemiscot County entered into a 20-year lease-purchase agreement with the Bank of New York Trust Company to pay for the building. At December 31, 2002, Pemiscot County owed \$985,000 in principal and \$806,063 in interest for a total of \$1,791,063.

In 1999, Pemiscot County obtained a five-year loan through First State Bank to finance the purchase of four motor graders. Total principal and interest payments at the origin of the loan amounted to \$300,684. At December 31, 2002, Pemiscot County owed \$71,558 in principal and interest, combined.

In 2001, Pemiscot County obtained a four-year loan through First Security Bank to finance the purchase of three motor graders. Total principal and interest payments at the origin of the loan amounted to \$181,600. At December 31, 2002, Pemiscot County owed \$136,200 in principal and interest, combined.